



Sunday March 20, 2005 Edition

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Farmers adjusting to change in tobacco market

A fixture on the Kentucky landscape for nearly a century, tobacco will soon begin to disappear from many of the state's fields, leaving an uncertain economic outlook for both farmers and the tobacco-dependent counties in which many live.

"This is the biggest structural change of our lifetimes," University of Kentucky farm management specialist Steve Isaacs told a crowd of wary tobacco growers in Shelbyville last month.

The change is the end of the federal program of tobacco quotas and price supports, which for 65 years limited the amount growers could sell but set a minimum price for their leaf.

Now they can grow all they want, but the price will be about 25 percent less - about \$1.50 a pound instead of \$2. That and other changes in the tobacco market mean that some growers won't be growing any more.

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Many older and smaller growers will simply retire, with the help of what is called "the buyout" - money from cigarette companies, passed through the federal government, as compensation for the quotas that added to the value of their land.

John Stevens of Morehead, who raised a relatively small crop of 1,700 pounds last year, said he plans to quit farming altogether. "At my age, 76, I am too old to grow tobacco anyway," he said. "The buyout gave me a more attractive way out."

Hand counts at tobacco growers' meetings held by UK specialists around the state in February indicated that about half of those who attended the meetings and grew tobacco in 2004 will continue to grow it in 2005.

Very few said they plan to increase production, but some of those increases will be large.

Most who plan to increase production appear to be those who grew more than 10,000 pounds last year, according to UK student Phillip Stith's survey of 41 growers at the Tobacco Farmer Day at the National Farm Machinery Show in Louisville.

With the quota restrictions gone, Nate Barker of Shelbyville said he has contracted with a tobacco company to grow 280,000 pounds, almost double the 150,000 pounds he grew last year - only 8,000 pounds of which was his own quota. The rest "was all the tobacco I could find to lease," he said.

But Kenneth Richardson of Madison County is cutting back his crop to about 4 acres, from about 9 acres, and may get out of tobacco altogether.

"It has just gotten to the point where I have realized the tobacco market is not a promising industry anymore," said Richardson. "I don't want to quit growing, but I really just can't afford spending the time growing tobacco without turning a profit," said Richardson.

Because tobacco companies are offering lower prices, Isaacs and UK

agricultural economist Will Snell are warning growers that per-acre yield will be critical to their success.

"It's going to be really tough for those producing seventeen-, eighteen-, nineteen-hundred pounds per acre to be self-sustaining," Snell told farmers in Mount Sterling. The traditional average burley yield for Kentucky farmers has been 2,100 pounds per acre.

The specialists also cautioned growers to watch their costs and figure in the cost of their own labor. "If you want to work for nothing, find something easier than tobacco," Isaacs said at more than one meeting.

At meetings in Somerset and Madison County, very few of the growers said they could go home and lay their hands on a document that would give their cost of production - an illustration of the wrenching nature of the change and tough decisions many face.

Casey farmer not quitting

John Simpson, a Casey County farmer, said he is not ready to quit farming. Simpson, who raised 2,000 pounds of tobacco in 2004, said he will quit growing tobacco next year and raise exclusively beef cattle.

"With the rising cost of labor and no government price supports, I can make more money raising cattle," said Simpson. "Next year I plan to turn my tobacco barn into another cattle barn and increase my herd size."

The generation gap among growers is illustrated by Chreswell Covington of Madison County, who is getting out of tobacco, and his son Stacey, who is staying in it - while continuing to diversify with cattle, hay and a herd of 150 goats.

"My problem now is that finding good workers who will accept the wages I am able to pay is near impossible," said Chreswell Covington, 65. Raising burley tobacco requires 200 to 225 hours of labor per acre, UK specialists say.

Covington said his son, 37, operates additional businesses because farmers can no longer live off tobacco alone.

Stacey Covington got into goats with money from the national tobacco settlement of 1998. Kentucky earmarked for agricultural diversification half of the money it got in the deal with cigarette companies.

Use of the diversification funds has become even more critical, with the end of the federal program and signals that tobacco production may be shifting from tobacco-dependent counties in the state's Appalachian areas to central and western Kentucky and even out of the state, to areas where larger tracts of land are available.

Isaacs said the one county that appears to be in the middle of a tobacco boom is Breckinridge, which is one of the most farm-dependent counties in Kentucky and has relatively large tracts available for expansion of tobacco production.

"Breckinridge County will increase production substantially," Isaacs said. "There's not a barn in the county to lease." He said farmers there are banking on having high yields.

Snell told the Mount Sterling crowd that he remains hopeful that tobacco can continue to be grown in the counties represented at the meeting - something that depends on how efficient these areas are in raising tobacco and the willingness of the companies to sign contracts in these areas.

"Hopefully the price incentives will be enough to keep tobacco growing viable in this part of the state," Snell said.

Carroll Burchett of Johnson County, who attended the easternmost growers' meeting, at Flat Gap, fears his region will lose a significant source of income.

"Many people in my county and surrounding eastern Kentucky counties are concerned that we are losing an industry that has been vital to our community for many years," Burchett said. "Tobacco was a crop that people could count

on for money, and it also helped keep small farms alive."

This story was written by the Rural Journalism class at the University of Kentucky and edited by their instructor, Al Cross. It was reported by students Kyle Hamilton, Phillip Stith, Jeff Fichner, Brittany Johnson, Allison King, Paul Leighty, Sarah Lutz, Lindsey O'Donnell, Lara Pate and LeeWood Pugh.

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